

From: Philip Utley
To: Microsoft ATR
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Re: Anti-competitive collusion between Microsoft and Corel Corporation

Please find a remedy for the current anti-competitive collusion between Microsoft and Corel Corporation, an activity which appears to have eliminated serious competition and given Microsoft a virtual monopoly in the Apple Macintosh word processing market.

Early this year Microsoft invested US \$135 million in shares of financially troubled Ottawa based Corel, a graphics software company that had purchased the cross-platform word processing company WordPerfect half a decade before. Microsoft sold the shares in February 2001 after the US Department of Justice and Ontario Securities Commission announced an investigation of the event.

Microsoft may seem only to have lost \$70 million on the deal because of stock price deterioration--but in fact it gained Corel as a business ally. Corel announced immediately it would no longer produce its graphics and WordPerfect software for Linux, the competing open-source operating system. Corel agreed to make its products compatible with .NET, Microsoft's business software line acquired through purchase of Great Plains.

It had been rumored in 2000 that balance-sheet problems would force Corel to sell its WordPerfect software to large companies like Adobe or IBM, which had the management skills and capital for a potential restoration of WordPerfect to its position as the most widely purchased word processing program-- one which functioned on both Microsoft and Apple computers. Corel now continues to upgrade WordPerfect for Windows--still the best word processing software, but now purchased much less frequently than Microsoft's klunky Word. That is because businessmen can still remember the early years when Windows was replacing DOS as the most popular PC operating system: Microsoft withheld enough information about source codes to keep WordPerfect programmers from easily developing their Windows version. WordPerfect lost market share because it was slow to develop a good Windows version that did not crash regularly. But within a couple years WordPerfect for both platforms was again the best: now relatively crash-proof and as user-friendly as ever, with, for example, superior table, macro, "Reveal Codes" and outlining functions.

In April 2001, Corel announced that it would make no effort to develop WordPerfect for OS X, Apple's new Unix-based operating system. Corel could have converted the old WordPerfect 3.5e for Macintosh OS 8 and 9, still the best word processing software for the Mac. It could also have done something even easier: "porting" its

already developed WordPerfect for Unix-based Linux to Unix-based OS X. It could have made money by licensing development rights. The ostensible reason: Corel did not think there was a market for a Mac WordPerfect program. Corel had no way of knowing this because it had not advertised, upgraded or supported WordPerfect 3.5e for about six years. It had ignored communications from users imploring it to develop the program. In the year or two prior to April 2001, it had provided the program as a free internet download, but now it withdrew the download from the internet and pressured other sites to withdraw the software to which it still held the copyright.

In the same April announcement, Corel said it was developing graphics software for OS X. I am not an expert on graphics, but have read that many consider its graphics software mediocre in comparison with the extremely sophisticated products of companies like Adobe. Apparently it rapidly gained graphics market share because it was quick to develop a working Windows version of its program when Windows was replacing DOS.

That leaves AppleWorks and Nisus as two good but rudimentary Mac word processing programs that are still developed, supported and available for OS X.

Microsoft Word is the third--now the only sophisticated Mac word processor with ongoing upgrades and support. And it is the only one that is "cross-platform"--with easy conversion of documents between Mac and Windows versions.

Thus Microsoft's new-found friendship with Corel allows the killing of WordPerfect competition in the Macintosh market as well as the Linux market.

What of the Windows market? That is where Microsoft cannot afford to look like a monopolist. John D. Rockefeller liked having one or two small competitors so that he could claim that Standard Oil was not a monopoly. And Microsoft has been arguing throughout the antitrust case that Netscape's continued existence proves Microsoft does not monopolize internet applications on Windows.

If there are to be serious conduct remedies in the current case against Microsoft, one should be designed to assure the preservation of WordPerfect as cross-platform software.

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1. Originally a private company, WordPerfect was sold to Novell, which sold it to Corel.

2. Information I use in this article is culled in large part from
<<http://www.r8ix.com/lists.html>>. It is a Mac WP e-mail users' group
and it has a digest of the e-mails over the years. There are some
internet articles on the events of February-April 2001 at
<<http://www.newsfactor.com/perl/story/7520.html>>,
<http://www.security-informer.com/english/crd_corel_440464.html>,
<<http://www.aaxnet.com/news/M010224.html>> and
<<http://maccentral.macworld.com/news/0102/14.feds.shtml>>.

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